

# Delaware Renewable Energy Taskforce

Friday, October 14, 2016

9:30 a.m. to 12:00 noon

Public Service Commission Hearing Room

861 Silver Lake Boulevard, Suite 100,

Dover DE, 19901

## Meeting Minutes

Members and alternates:

Rob Underwood, Acting Chair, DNREC Division of Energy & Climate	Present
Tom Noyes, DNREC Division of Energy & Climate (Alternate)	Present
Glenn Moore, Delmarva Power	Present
Dale Davis, Delaware Solar Energy Coalition	Present
Finn McCabe, Delaware Solar Energy Coalition (Alternate)	Absent
Pam Knotts, Public Service Commission	Present
Lyriss Cullinan, DuPont, Renewable energy research & development industry	Absent
Dave Holleran, Local renewable energy manufacturing industry	Present
Mark Nielsen, Delaware Electric Cooperative (Alternate)	Absent
Scott Lynch, Delaware Municipal Electric Companies (Alternate)	Present
David Bonar, Public Advocate	Absent
Andrea Maucher, Public Advocate (Alternate)	Present
John Sykes, Environmental advocacy organizations	Absent
Jim Black, Environmental advocacy organizations (Alternate)	Absent
Senator Harris McDowell, Sustainable Energy Utility	Absent
Tony DePrima, Sustainable Energy Utility (Alternate)	Present

Also present:

Kevin Quilliam, InClime

Bob Howatt, PSC Staff

Dave Stevenson, consultant to the Public Advocate

Jeffrey Richardson

John Sertich, Clean Energy USA

Rob Underwood called the meeting to order at 9:35 a.m. The Taskforce reviewed the minutes from the September 7, 2016 meeting. Dave Holleran moved approval of the minutes. Glenn Moore seconded the motion. The minutes were approved unanimously.

Rob Underwood updated the Taskforce on the review of the Delmarva Power (DPL) Green Energy Fund grant levels. The Division held two public workshops and briefed the Sustainable Energy Utility. He said he expects changes to be announced within 30 to 45 days. The Division has seen an increase in the

volume of applications since the public workshops. He also said that the Division is working on revising the Green Energy Fund regulations, which should be finalized in the first quarter of 2017.

Glenn Moore of Delmarva Power (DPL) submitted a request for the Taskforce's concurrence with its plan to issue three RFPs for 40 MW of wind power as required by the settlement agreement in the Exelon merger. The settlement agreement calls for DPL obtain the concurrence of the Taskforce before submitting its plans to the Public Service Commission. Tony DePrima asked if DPL would need more RECs beyond those specified in the three planned RFPs. Glenn Moore said yes. Andrea Maucher asked how this provision would reflect the results of the land based wind study required by the merger settlement agreement. Glenn Moore said the study would be performed before the first RFP would be issued. DPL would need a PSC order to issue the RFP for the first 40MW tranche.

Dave Stevenson raised the prospect of a 3:1 ratio for SRECs to meet DPL's REC requirement. Rob Underwood pointed out that the 3:1 provision would require legislation.

Dale Davis moved that the Taskforce concur with the Delmarva Power application to the Public Service Commission to issue an RFP for the first tranche of 40 MW of wind power. Glenn Moore seconded the motion. The Taskforce voted to adopt the motion unanimously.

Andrea Maucher moved that the Taskforce request that Delmarva keep the Taskforce informed of the RFP process going forward. Glenn Moore seconded the motion. The Taskforce voted to adopt the motion unanimously.

Rob Underwood turned to the next SREC procurement. Tom Noyes described the new format for the strawman proposal, which includes columns for 2017 and 2018 to make it easier for the Taskforce to discuss longer range issues that extend beyond the next auction. Additionally, the strawman proposal includes lines for related issues such as the role of the SEU upfront SREC program and the Green Energy Fund so that the Taskforce can engage in discussing the bigger picture going forward. The Taskforce will continue to meet to consider these issues after the next SREC auction recommendation is completed.

Glenn Moore proposed that the auction allocation include 9,000 SRECs for tiers N1, N2, N3, E1 and E2 and that an additional 6,000 SRECs be open to SRECs from any source including a proposed new N4 tier for utility scale solar. Andrea Maucher asked what would happen if a tier were undersubscribed. Glenn Moore said that if there were not enough bids in a tier, DPL would use price discretion to fill that tier. He said that it is important to continue to balance price and market stability for tiers N1, N2 and N3. He suggested that tiers N1, N2 and N3 could be protected, with the Taskforce considering the matter next year. DPL likes the idea of including a new N4 tier, but doesn't want to cannibalize tiers N1, N2 and N3.

Dale Davis said that the industry sees a risk in the pressure to reduce tiers N1, N2 and N3. The taskforce has experimented with discretion, which has worked well so far, but we should consider limits on discretion. All N4 bids should go through the auction.

Glenn Moore said that we are learning, and we should use data from the next auction to consider what premium we might be paying for tiers N1, N2 and N3 compared to a new tier N4.

Dave Stevenson said we don't need net metering, that existing systems should compete in N4, that the SEU should sell some of its SRECs into the N4 tier, that tiers N1, N2 and N3 should be limited to 30 percent of the auction, and that lease companies should aggregate their SRECs for the N4 tier.

John Sertich of Clean Energy USA questioned whether we should continue to include SRECs from existing systems. Glenn Moore said that there are still lots of existing system SRECs that have not bid into any auction. He said we should not want to limit the supply of SRECs. John Sertich suggested giving existing SRECs one last chance to bid.

Tony DePrima said that some owners aren't interested in bidding their SRECs. Dale Davis said that some don't bother or don't know about the auction or are holding out for higher prices. He added that we should give at least one last shot at including E1 SRECs.

Glenn Moore said that DPL will recommend the total size of the auction and asked about protecting N1, N2 and N3 in the 2017 auction. Pam Knotts asked whether DPL would have discretion to fill N1, N2 and N3 with N4. Glenn Moore said DPL could have discretion in filling N1, N2 and N3 and could leave N1, N2 and N3 short by using its discretion to reject high-price bids. He also asked whether the E1 allocation should change if lease company SRECs are aggregated and included in N4.

John Sertich asked if the SEU would sell some of its SRECs. Tony DePrima said that continuing the upfront SREC program and selling the SRECs are open questions. Glenn Moore said the SEU could sell SRECs in the spot market. Tony DePrima said the SEU could also bid them in bulk. Scott Lynch asked in the SEU, which has statutory authority to bank SRECs, could sell old SRECs in other states, or whether the old SRECs are only good in Delaware.

Dale Davis said that the SREC procurement is an economic opportunity for Delaware, and that North Carolina SRECs provide no economic benefit to Delaware. He added that the SEU selling some of its SRECs would provide value by funding new programs.

John Sertich said that his company is vested in the SEU program.

Glenn Moore said that there is a cost to retiring SRECs, and that using virtual SRECs could help other SEU programs. Kevin Quilliam said that the SEU program requires internet capable meters, which helps keep costs down.

Rob Underwood asked for the Taskforce could fill in some of the details on the strawman proposal today. Glenn Moore suggested including a new N4 tier of equal to or greater than 2 MW. DPL would have discretion among the tiers on price. Tiers N1, N2 and N3 would be allocated 9,000 SRECs. Undersubscribed tiers would be open to be filled from other tiers.

Andrea Maucher suggested that existing systems could be phased out in 2018. Glenn Moore said that leased system SRECs could move to N4 in 2018. Dale Davis said that we should continue to work on 2018 while moving ahead with the 2017 auction.

Dave Stevenson said that the PSC's issues have to be addressed. Glenn Moore said that we can't go to the PSC with a plan for 2018 at this time. Andrea Maucher said that the Taskforce needs to address leasing. Glenn Moore said we could put leasing into N4.

Kevin Quilliam said that the auction represents a risk for leasing companies, and that they like the SEU's upfront program. Dave Stevenson said that the leasing companies report a larger cost basis to boost the Investment Tax Credit. John Sertich said that a vehicle could be created to buy SRECs from leasing companies and resell them in the auction.

Glenn Moore said that would want to see a capital return on the SRECs it owns. John Sertich said that people are lining up for the SEU program, and that creates a question on how to monetize the demand for upfront SREC purchases.

Dave Stevenson mentioned the idea of virtual SRECs. Pam Knotts said that SRECs need to be "appropriately metered." Tom Noyes asked if that phrase could be defined by regulation. Pam Knotts said that would be a stretch.

Glenn Moore said that REPSA (the Renewable Energy Portfolio Standards Act) requires that DPL buy and retire SRECs. He said that virtual SRECs could be based on two years of actual data and an assumed 0.5 percent annual decline in production. This could require legislation.

Pam Knotts said we change to virtual SRECs using the PVwatts calculator instead of a meter. Dale Davis said that two years on a meter and an assumed degradation rate could be a model. Andrea Maucher said that the Taskforce could recommend legislation to that effect.

Dave Stevenson said that the Taskforce could also recommend restoring the expired 3:1 REC:SREC ratio. Glenn Moore said that we would need consensus on that point.

Glenn Moore said that we need to move quickly to get 2017 done. He said that DPL could acquire as much as 30-40 percent of its requirement through the spot market.

Dale Davis asked how many of successful bidders end up delivering their SRECs. Kevin Quilliam said that only a few systems that successfully bid into previous auctions haven't been built.

Glenn Moore said that he's concerned that DPL could end up too heavy in the spot market. Dale Davis said that not relying too heavily on the spot market has helped Delaware avoid the boom and bust cycles seen in other states.

Glenn Moore said that the Taskforce needs to get the 2017 auction design done. He recommended adding N4, leaving E1 and E2 as is for this auction. Dale Davis said that E1 and E2 could be eliminated in 2018.

Glenn Moore said that we should leave the leasing company participation as is. If we move leasing SRECs to N4 we would have to reallocate SRECs among the tiers. He recommended 9,000 SRECs for previously established tiers and allocate to 6,000 to N4.

Pam Knotts said that DPL will need about 18,000 SRECs this year.

Tom Noyes briefed the Taskforce on the RPS cost cap timetable. Glenn Moore said that even if there were a freeze, DPL would still need about 30,000 SRECs because of DPL's spot market purchases.

Tom Noyes asked if we could agree to put Glenn Moore's recommendations into the strawman.

Andrea Maucher raised the issue of the 10 year + 10 year contract structure. Tony DePrima said that some projects could be financed with a 15 year contract. Dale Davis said that DPL would like to own the SRECs forever.

Glenn Moore said that he needed DNREC to email him the results of the Taskforce's concurrence vote soon. Tom Noyes said he would get that to him.

Rob Underwood adjourned the meeting at 12 noon.